

FIELD OPERATIONS BUREAU (FOB)

TRANSMITTAL NUMBER: 99-05 Corrective Action (CA) May 24, 1999

**TO: All Field Operations Bureau and Performance Sample
County Quality Control and Corrective Action Staff**

SUBJECT/PURPOSE: Treatment of Rent Subsidy Vendor Payments

**RELATED REFERENCE: M.S. 63-300.51(f), 502.2(b), 505.31, 505.41(a) and
505.511**

SUPERSEDES: None

EFFECTIVE DATE: Upon Receipt

BACKGROUND:

Recently, a Federal Food Stamp case was reviewed where a household moved from one Housing and Urban Development (HUD)-subsidized rental housing to another HUD subsidized rental house. The household reported the new full rent amount when it moved, but later failed to report reinstatement of the HUD subsidy which lowered its amount of rent obligation. During the case review process, the Agency contended that there was no error because although the rent changed, there was no move involved. The Food and Nutrition Service (FNS) reviewed the case and determined that a client-caused overissuance had occurred. The State agrees with this conclusion.

This transmittal provides the explanation of the error determination, Quality Control (QC) review instructions, and suggested corrective actions for counties to avoid future errors for this situation.

The HUD payment is money that is not legally obligated to be paid to the household and is paid to a third party (the landlord) by an organization outside the household, thereby meeting the definition of a vendor payment. Per M.S. 63-502.2(b), vendor payments are considered to be excluded income to the household. M.S. 63-505.31 and 63-505.511 require monthly and nonmonthly reporting households, respectively, to report receipt of any budget month income. Also, M.S. 63-505.41 (a) requires a household to provide verification of the source of any excluded income when first reported. Therefore, since the HUD payment is a vendor payment (income), it must be reported by the household when the contract is approved. Also, any change in the subsidy amount needs to be reported each time it occurs. The county must then make the determination that it is excluded income. At that point, the eligibility worker should also make the appropriate rent change adjustment for shelter costs as they are now aware of the change in rent.

INSTRUCTIONS:

County Performance Sample/FOB Staff:

After verifying that the HUD contract is in effect, use the lower rental amount obligated to be paid by the household because of the subsidy in the budget computation. Cite the resulting overissuance as a client-caused error if the contract was not reported to the county; cite the error as agency-caused if it was reported and the rent was not adjusted.

County Corrective Action Staff:

Review the intake process to ensure that recipients are informed that changes such as receipt of a HUD subsidy for rent must be reported. For ongoing cases, line staff can be advised to examine household income when there is a move and a significant increase in the rent because it is no longer subsidized. Questioning the household may bring forth the information that it is (or will be) having its HUD contract rewritten for the new residence. If the contract is not yet in effect or has not been processed, the eligibility worker might be reminded of previously reported income or discover unreported income that is enabling the household to pay the higher rent.

COUNTY INQUIRIES:

County Program Information Analyst

DOB INQUIRIES:

Michael Bowman-Jones
FOB Program Review Analyst (909) 862-8116

TOM BENSON, Chief
Data Operations Branch

Attachment(s):